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ABSTRACT

This book was written for Catholic schools ready to launch an endowment or enhance an existing one. It is intended to be a resource for both Catholic elementary- and secondary-school administrators including principals and presidents, board members, development professionals, and alumni/ae. The volume outlines the three primary sources of funding for Catholic schools--tuition, fundraising, and endowment--and highlights the importance of having an endowment to keep tuition rates competitive. It discusses what an endowment is and why it is necessary for a school to have one. The steps for building an endowment include endowment promotion, who should support the endowment, who should ask for support, and techniques for soliciting annual, capital, and endowment gifts. The text then addresses ways to increase the endowment, the need to have recognition societies for those who give large gifts or who include the school in their wills, tracking planned gifts, the role of the planned-giving committee, and planned-giving policies. The last chapter outlines ways to protect the endowment. Appendices present examples of personal-solicitation presentation materials, a school's mission statement, will-bequest provisions, endowment-fund recognition opportunities, standards for reporting planned giving, and gift policies. (RJM)

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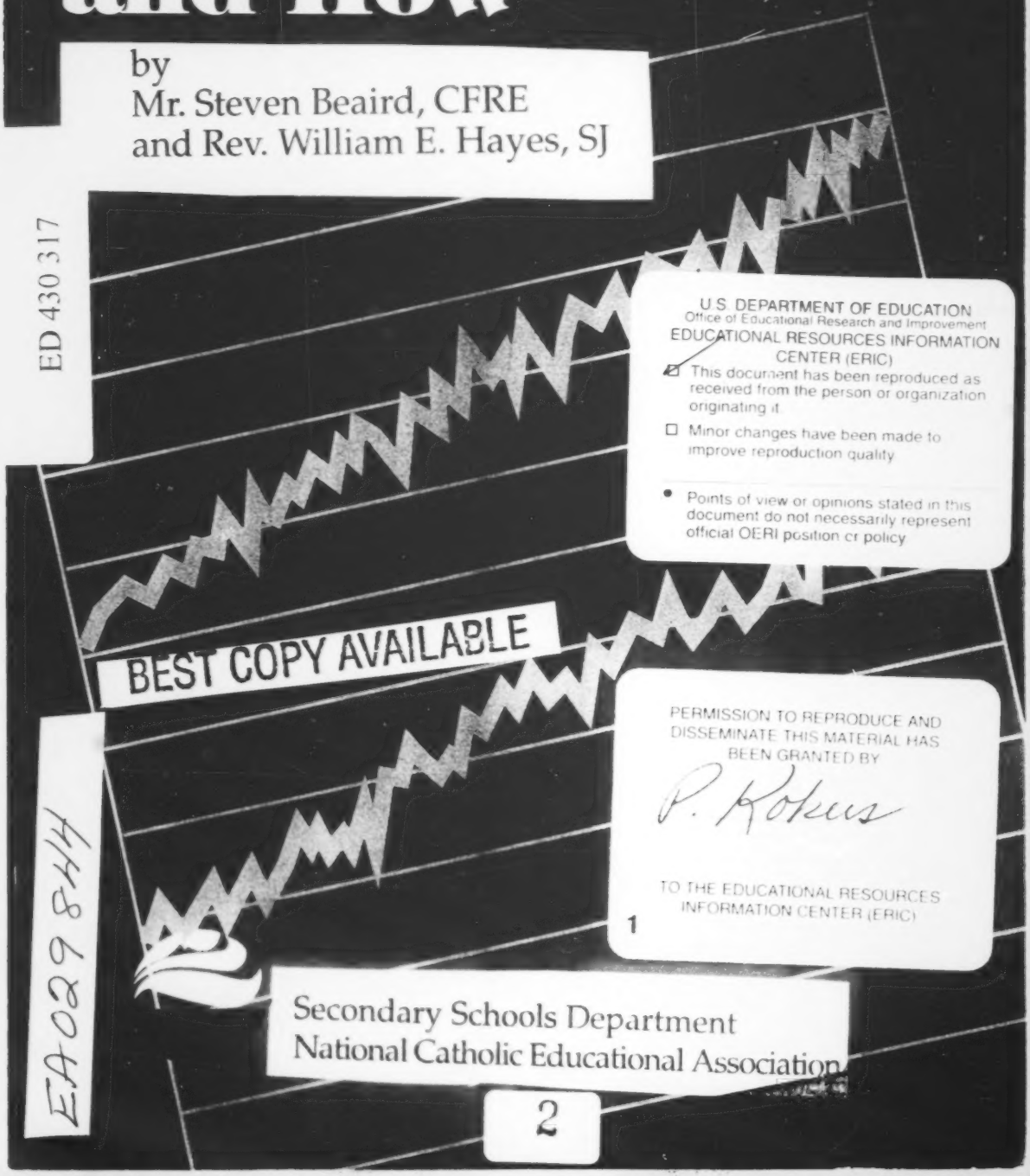
Building an Endowment: What, Why and How

by
Mr. Steven Beaird, CFRE
and Rev. William E. Hayes, SJ



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Secondary Schools Department
National Catholic Educational Association

Building an Endowment: What, Why and How

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Mr. Steven Beaird, CFRE
and Rev. William E. Hayes, SJ

National
Catholic
Educational
Association

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Dedication

To my wife, Linda, a beautiful example of the goodness of Catholic education;
and to our two sons, Matthew and David,
may you grow to be Christian adults
who are beneficiaries of an excellent Catholic education.

— Steven Beaird

Acknowledgments

This manuscript is dedicated to the ministry of Catholic education and the important role endowments play in its future. It is hoped that Catholic elementary and secondary schools will find this publication useful as a resource in launching an endowment as well as building up an existing endowment.

We thank those people whose comments and editing provided critical feedback: Jeff Boly, retired tax attorney (Portland, OR); Nancy Cook, Director of the Catholic Schools of Fairbanks (Fairbanks, AK); Janeen McAninch, President of Becker Capital Management (Portland, OR); Susan Steele, Principal of Our Lady of Sorrows School (Portland, OR); and Sister Mary Tracy, Associate Executive Director of the Secondary Schools Department, National Catholic Educational Association (Washington, DC). In particular, we would like to thank Ken Bunn, Planned Giving Director of Jesuit High School, who was instrumental in developing the charts, graphs and presentation materials for the publication.

Special thanks to those who work in Catholic education. Other than being a Christian parent, there can be no more important ministry than Catholic education.

Foreword

Henry David Thoreau in the mid-nineteenth century admitted that "he could not live and utter his life at the same time." Steven Beaird and William Hayes, SJ, in their manuscript *Building an Endowment: What, Why and How* have applied unequalled erudition and current experience to their composition.

The writers' treatise on endowment reveals the practitioners' vision of an endowment's capacity to protect an institution against the inevitable rough terrain of fiscal vulnerability, the predictable result of student volume fluctuation and market volatility. Their grasp of the technique required to execute the vision is praiseworthy; stemming from combined years of research and empirical knowledge, Mr. Beaird and Father Hayes have become experts.

With no benefit of a journey to their own Walden Pond, the writers have obviously reflected on years and depth of experience in Catholic school settings where they have accepted accountability to generate substantial resources to carry out the schools' mission. The spiritual mission and the foundation of faith serve as an illuminating backdrop to their manuscript, distinguishing this piece from others in the philanthropic marketplace.

I urge school heads and advancement professionals to see that *Building an Endowment: What, Why and How* lands in the hands of board members of Catholic schools. Ideal as preparatory reading for a board retreat or strategic planning session, the monograph can be useful to schools ready to launch an endowment or enhance an existing one.

The next era will showcase dramatic endowment growth in Catholic schools. I am grateful to Steven Beaird and William Hayes, SJ who in their professional lives and writing lead the way for generations.

Sister Mary E. Tracy, SNJM
Associate Executive Director
Secondary Schools Department
NCEA

Introduction

Catholic education has long prided itself on its accessibility to people of varied ethnic and economic backgrounds. Raising funds has always been vital to enabling schools to live the value of accessibility. The challenge ahead is to keep Catholic education affordable. Tuition can only increase by limited amounts each year before schools price themselves out of the marketplace. There are limitations on the ability of fundraising to grow each year. There has to be an additional way to provide support that keeps Catholic education affordable.

A prudent long-term solution should include the following three components:

1. Realistic, affordable tuition
2. An effective annual giving program
3. An endowment

All three of these school-funding elements make up the total revenue of a school and complement each other. Affordable tuition and annual giving must work efficiently before a school can begin promoting endowment. Building an endowment is a commitment to a long-term process that can become the financial key to a school's survival. Many schools are looking to endowment revenue to provide an increasing percentage of their operating budget. In the United States, a current phenomenon provides a tremendous opportunity for Catholic schools to build endowments to levels that will relieve financial pressures facing many schools: the parents of the "Baby Boom Generation" are about to pass on trillions of dollars to their heirs. Without consideration of charitable estate planning, or planned giving, many baby boomers will end up paying huge amounts of estate tax that could be avoided, at least partially, with a planned gift. Charitable estate planning offers income and estate tax reduction benefits to donors and the opportunity to build endowments for Catholic schools. Best of all, donors experience the joy of

giving, knowing that the gifts they make during their lifetime will continue into perpetuity through the endowment. Their gifts become "the gift that keeps on giving."

This manuscript is intended to be a resource for both Catholic elementary and secondary school administrators including principals and presidents, board members, development professionals and alumni/ae. It is also for schools thinking of establishing an endowment as well as those planning to build an existing endowment. No matter what your experience with endowment, we hope you will find in this resource practical ideas to help your school, and ultimately, to keep Catholic education affordable.

Chapter I: Catholic School Funding

There are three primary sources of funding for Catholic schools: tuition, fundraising and endowment. Elementary schools are the exception. Most Catholic elementary schools receive parish subsidy in addition to these three funding sources. Outside of school administrators, it may be surprising how few people understand the nature of funding Catholic schools. Even more surprising is how many alumni/ae and parents think Catholic schools are subsidized by the government, a local diocese or another source, and use this misconception to justify their own lack of willingness to support the schools that have benefited them or their children.

We in Catholic schools need to do a better job of telling our story and helping our friends understand the realities of funding Catholic schools. The funding story needs to begin with a spiritual foundation for alumni/ae, parents and other friends. The spiritual message is one of stewardship that points to our *need to give*. This message combined with the temporal practicality that tuition alone will not keep our schools in operation is a way for Catholic schools to distinguish their funding story from the many thousands of non-profits that simply focus on *their needs*. A wonderful saying attributed to St. Ignatius applies here: "Pray as if everything depends on God. Work as if everything depends on you." The spiritual and temporal are part and parcel of each other.

Catholic schools are unique. They offer a value-based education that has life-lasting benefit and they do that

differently than other school systems. How funding our Catholic schools is considered should be different too. When it comes to communicating with school constituents about funding, we do them a disservice if we simply talk about needs. Needs divide people. Needs force people to make choices about what is most important. We all have needs. We need to provide for our families; we need to pay the monthly home mortgage, etc. But needs are secondary to school vision and mission. The vision and mission of a school are what unite hearts, and when hearts are united around the school's vision and mission, there is no shortage of financial support!

The principle of stewardship is a helpful way to enable school constituents to understand their need to give. It is theologically consistent with the approach used by many pastors when they talk with their parishioners about sharing their blessings. The fundamental belief of stewardship is that all life is a gift and God is the ultimate giver of life. Each individual has been blessed with certain talents and abilities. As receivers of the wonderful gifts associated with life, we are simply stewards of these most precious gifts for a period of time. Ultimately, we will be called to give an account of our stewardship. What kind of report do we want to give?

Stewardship encourages us to put our gifts at the service of others. It is a way of expressing gratitude for the fact we have been blessed. A way to express gratitude for blessings is to share our time, talent and treasure with those who touch our lives and are in need of our gifts.

Catholic schools provide an excellent education for young people and help them develop their talents. Excellent elementary and secondary school experiences lead to success at higher levels of education and in other areas of life. There are hundreds of thousands of Catholic school educated people leading major corporations, running their own businesses and serving in leadership roles in civic, government and church affairs. Catholic education has played a key role in their development. Can parents and alumni/ae ever adequately thank Catholic schools for what they have done?

The authors have had experience with alumni/ae who ask, "When do I get to stop giving to Jesuit High School?" Without hesitation the answer is: "When God stops giving

to you." This response is not intended to be humorous or flippant. Alumni/ae need to be reminded they have been blessed and that Catholic schools have played an important role in their development and ultimate success in life. Many people sacrificed to make their education possible. In the past, it was the contributed service of the religious who ran the schools and taught them and now, it is all those like themselves, who contribute and participate in fundraising activities.

Alumni/ae can respond to their call to share their blessings and their need to give by giving back to their schools —time, talent and treasure. It is the responsibility of Catholic school administrators to ask alumni/ae, parents and other friends to share their gifts by participating in the school's vision and mission. An important part of any school's vision is keeping the school affordable. The primary way Catholic schools will do that is by building an endowment.

Chapter II:

What is an Endowment?

The basic concept of an endowment is a permanent fund that is restricted and the principal of which is preserved. The funds are invested and a determined percent of the portfolio is used for the purposes restricted by the endowment gift or, if it is unrestricted, by the intent of the school administration. Thus, the endowment becomes the gift that lives forever and helps schools maintain affordability by providing revenue to subsidize the operating budget.

The endowment not only provides for the preservation of the original principal, but because a portion of the annual earnings is left in the endowment each year, it also provides an effective hedge against inflation. Part of the endowment may be restricted or designated for certain purposes such as financial aid, academic program chairs, and faculty development. Part of the endowment may be unrestricted to serve where the need is greatest. Schools find unrestricted gifts most helpful because they provide maximum spending flexibility. Many donors are attracted to the perpetual nature of making gifts to the endowment. It is a way to create an everlasting legacy for donors and their heirs. Another way to look at endowment is to see it as a funding resource that enables schools to weather the challenges of fluctuations in enrollment or sharp increases in costs and even to fund unexpected expenses.

Chapter III:

Why is it Necessary for a School to Have an Endowment?

In the early years of Catholic education, all Catholic schools had an endowment. It was not a financial endowment, but a *people* endowment. The people were the religious sisters, brothers and priests who taught in the schools. They were an endowment because they did not take full salaries. They only took what was necessary to live on and, as a result, tuition was artificially low. It was only when vocations to the priesthood and religious life began to decline that tuition began to increase annually by significant levels. Catholic schools had to hire more lay teachers to take the place of religious men and women who were no longer available. When teachers in Catholic schools were primarily religious, no one ever thought that would change. No one thought to build a financial endowment to offset the increased costs of full salaries by lay teachers. Catholic schools today would be in much better financial position had they established endowments even 35 years ago.

School administrators need to understand the importance of having a *financial* endowment to take the place of yesterday's people endowment. Schools must be proactive in promoting endowment to parents, alumni/ae and

other friends who, over the years, benefited from the work of religious who kept tuition so low because of their personal commitment and financial sacrifices.

A successful school remains true to its mission. It is driven by its mission in making decisions and setting policies. In many cases, schools are financially strapped because of the operational budget constraints and cannot carry out their desires to fully achieve their mission. An endowment enables the school to focus more fully on its mission by reducing pressure on the operating budget and providing for the school's long-range financial vitality. An example of this might be a school that is very interested in promoting economic diversity but has no money in its operational budget to give financial aid to students in economic need. An endowment provides funds for that need because it is outside of the operational budget.

It is important to keep in mind that the operational budget is driven by tuition and annual giving. The endowment, which is a separate account, exists outside the operational budget. The endowment is continually growing because the principal is never invaded. As it increases, the endowment helps meet the needs the operational budget could never meet unless tuition was increased dramatically.

All Catholic school administrators would agree that in order to be successful academically, spiritually, aesthetically and physically, schools must be financially responsible and fiscally stable. Catholic schools are driven by tuition. In most Catholic high schools, tuition makes up 70 - 85% of the operating budget. Every Catholic school makes an effort to keep tuition as affordable as possible, and the difference between the tuition charged and the actual cost of educating a student is made up through various forms of fundraising.

Many Catholic schools conduct annual appeals and fundraisers such as candy drives, magazine sales, auctions, and dinners. These annual activities represent the backbone of the school development program: annual giving. A strong annual giving program will consist of an annual appeal to alumni/ae, parents, board members, corporations and other friends as well as fundraising events. The events should be secondary in focus to the annual appeal and personal solicitations which are the foundation

for major gifts, planned gifts and building an endowment.

The difficulty with relying solely on annual giving programs, which are critical for all schools, is that these funds are limited and must be renewed each year. That is to say, schools can only raise so much from a candy sale or an auction. These monies are spent annually and then the process begins at square one again the next year. While fundraising is limited, expenses of schools increase each year, especially in the area of salaries. Also, the need for new equipment and maintenance of facilities put more pressure on increasing tuition, which hinders the goal of keeping schools affordable.

An endowment provides lasting funds that continually give the school money, which helps keep it affordable. These funds can be used for needs such as financial aid, endowed chairs for academic departments, maintaining facilities or sustaining and improving academic programs. Historically, universities and colleges have been working on building their endowments. In recent years, secondary schools, and even more recently, elementary schools now see the value and necessity of endowments to keep their schools affordable.

St. Ignatius Loyola, founder of the Society of Jesus, originally intended that Jesuit schools would be endowed. His rationale was very simple. If the schools were endowed, then those running the schools would not have to be concerned about raising money or trying to keep the doors open. They would be free to do what they are there to do: teach, administer and carry on the work of the apostolate. St. Ignatius' 15th century rationale for endowments is applicable to Catholic schools of this era. Ideally, every principal, president, and other administrator would prefer not to be involved or worried about trying to balance budgets, provide salaries, and maintain facilities. Instead, they would prefer to be involved with faculty, students, teaching, advising, and administering. Catholic schools prepare young men and women to become Christian leaders who make a difference in our world. What Catholic schools offer to society is of such great value that their existence should never be in jeopardy. Endowments contribute to the permanence of Catholic schools. The long-term goal of an endowment is to give a school the level of financial stability required to allow school administrators

to do the primary work of education. If Catholic schools are to continue the all-important work of education, they must be affordable. In order to remain affordable, they must have an endowment that continually increases each year.

Regis High School in New York City is an example of a school that has successfully promoted and built up its endowment. As a result of those efforts, it operates as a tuition-free school. The Regis High School endowment provides for approximately 50% of the operating costs and the remainder is covered by on-going development and fundraising activities.

Chapter IV:
How to Build an Endowment

Building an endowment is not a "stand-alone" endeavor. It is done with reflection, planning and a clear understanding of how endowment fits into the school's vision and mission. The larger the vision of the school, the larger the endowment needs to be. As the vision grows, the school should include a component focusing on financial vitality, which means a commitment to have a development program.

Part of the role of the development program is to articulate why schools need an endowment and to inspire donors to support it today. Building a large endowment is best done initially by making an institutional commitment to staff a development program. The level of staffing depends on the existing resources of the school and the number of alumni/ae and parent prospects willing to give.

For schools without a development staff, it is best to start with one person and slowly build up the staff as development revenue grows. Development cost-to-income ratios must be carefully analyzed by the administration and development staff. A start-up program can expect to spend 30 - 50 cents for every dollar it raises. Mature development programs should spend 10 -20 cents for every dollar raised. Many secondary schools are staffing their development programs following models used by colleges and universities. More and more elementary schools are hiring development directors. This broader commitment to staffing a development program is good for the future vitality of

Catholic education.

Three essential ingredients shape a comprehensive development program: annual giving, capital giving and endowment giving. Before beginning work on establishing an endowment, schools should have a successful annual giving program in place. The annual giving program should include special events and annual solicitation of board members, parents, alumni/ae and other friends. Annual giving is the foundation for building an endowment. The activities of an annual giving program get people involved with the school, build community and provide a base of donors that can be renewed each year. Over time, their gifts can be increased in volume and in size. These donors have already demonstrated they have a financial commitment to the school. It may be easy to show them another avenue to support the school that does not cost them anything out of pocket today. Many donors may not even be aware of how easy it is to benefit the school. This group should be the first and easiest group to approach for support of the endowment. This inner circle of supporters should be approached for their opinions of materials being developed to promote the endowment. This is a good way to test the waters, and a way to jumpstart the endowment effort. This approach creates more advocates for endowment because they will have shaped how it is to be promoted. More than closing the gap between tuition and actual cost, the long-term benefit of annual giving is to create a base of donors for an endowment. Donors who have a regular pattern of annual giving are strong candidates to make gifts for endowment.

A second component of a school's development program should be capital giving. Schools should have some kind of capital project to keep before their donors to revitalize and expand facilities and provide for new equipment. Capital projects are a depository for major gifts. They tend to elevate people's giving sights to levels that would never be considered for annual gifts to operations. Like regular annual giving donors, capital project donors are strong candidates to make gifts to the endowment. If a major pledge is spread over a period of time, such as three to five years, it may be prudent to ask the donor to make a will provision that covers any unpaid pledge in the event of early demise. The ideal situation would be to have both

annual and capital giving in place because together, they provide a large base of donors, some of whom have made very large gifts to the school.

People who make regular annual gifts and/or major capital gifts are making a statement of their strong belief in the school's mission and vision. They are ready to take the next step in helping preserve the school's long-term vitality by contributing to the third critical dimension of a school's development program: endowment giving.

The effort to build an endowment should become part of every school meeting so it is not seen as a stand-alone endeavor but an integral part of the school's present and future finances. This is very much a "seed planting" process and has to be revisited often for people really to become aware of the dramatic impact an endowment can have on finances as well as the overall vitality of schools.

Before asking people to give to the endowment, it is important to have a plan that answers the following questions:

1. Why does the school need an endowment?
2. How will the endowment be promoted on an ongoing basis? Do professional quality marketing materials exist to promote the endowment?
3. Who will be responsible for asking people to give to the endowment? Who will be responsible for keeping records?
4. How can donors participate in giving to the endowment?
5. What recognition will the school provide for donors?
6. How has the donor benefited from the school?
7. Does the donor have a special area of interest in the school to stimulate current cash or planned gifts?

Chapter V:
Endowment Promotion

One of the principles St. Ignatius used in order to raise funds for his schools was "Let Your Light Shine." People need to know the "good news" about the school. How is it unique? What examples of excellence distinguish it from other schools? Those people responsible for asking people to give to the endowment need to be good storytellers, both in writing and in person.

Some ways to tell the story in print about the need for a school endowment include regular notices in the principal's newsletter, alumni/ae magazine, annual report, and endowment brochures. A color display presentation should be prepared for personal visits to request sizeable cash gifts and planned gifts. Ideally, the presentation should be available on computer as well as in display binders. It should consist of the following items:

- The school's mission and vision statements
- Historical photos of the campus—yesterday and today
- Distinguished accomplishments of faculty and students/examples of excellence
- Financial goals for the endowment (i.e., how much and by when)
- How the money will be used
- How donors can help meet the goals
- Recognition opportunities

The presentation should be supported with leave-behind information including ways for donors to include the school in their estate plans. Remember that people are visual learners. The use of color photos and compelling

graphics and charts are integral parts of delivering the message. The more schools can pull people emotionally into the mission and vision of the school, the better the chance of keeping them committed to the school by giving to the endowment. (See Appendices: Sample 1— Personal Solicitation Presentation Materials).

Chapter VI:

Who Should Support the Endowment?

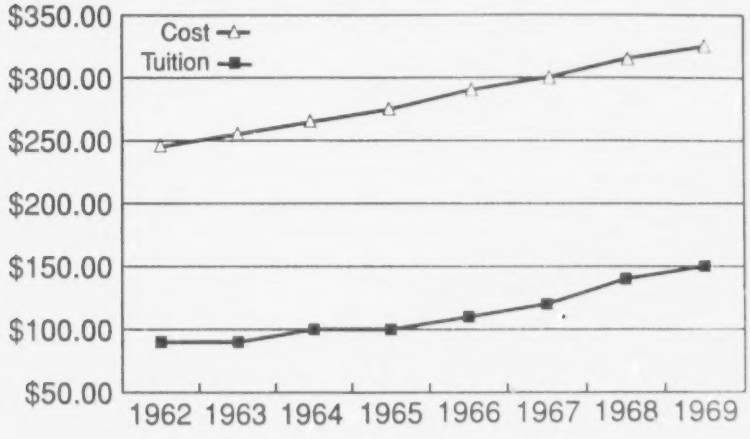
Catholic school alumni/ae are the most viable, on-going candidates for leading in the support of schools. This will vary widely depending if there is a development program or, if the school has made regular efforts to stay in touch with alumni/ae and help them stay connected. Board members and parents also should be strong candidates to help build the endowment.

Many alumni/ae are in upper-middle or upper-income jobs. They hold, or are party to jobs as owners, presidents and vice presidents of companies. They are doctors, attorneys, CPAs. Alumni/ae who fit these job titles are candidates to give $1,000 or more annually to schools. Alumni/ae of Catholic schools should be excellent candidates to help build endowments, especially those alumni/ae who are between the ages of 40 and 65. They are in their peak earning years and they have received, or may soon receive, an inheritance from their parents' estates. They experienced Catholic education offered with the contributed service of many outstanding religious priests, brothers and sisters. Unfortunately, we in Catholic schools have not helped alumni/ae to appreciate the full value of what they did receive. We have not enabled them to truly understand the *actual* cost of their education and the fact that their education was heavily subsidized by the contributed service of religious, a contribution that has real hard dollar value.

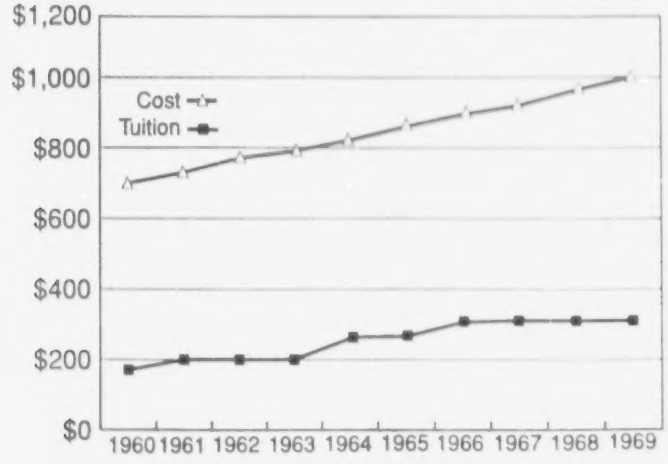
Consider the following graphs of tuition charged for a Catholic elementary and secondary school during the 1960s

and the actual cost of education factoring in the contributed service of religious and adjusted for inflation. (Note: The actual cost per student figures were calculated by looking at total school budgets for the periods shown and then adding a lay person's salary figure for each religious faculty member in order to come up with a total operating budget. The number of students was divided into the total operating budget to get the actual cost per student each year. This number was then reverse inflated using a four-percent inflation factor to arrive at a true cost per student figure).

A Sample Catholic Elementary School Tuition & Actual Cost Per Student 1962-69



A Sample Catholic Secondary School Tuition & Actual Cost Per Student 1960-69



The average per student cost for the sample elementary and secondary schools was $287 and $842 respectively during the time periods measured. The average tuition for the two schools was $100 and $259 respectively. The average annual difference between actual cost and tuition was $187 for the sample elementary school and $583 for the sample secondary school. These differences between costs and tuition are comparable to most Catholic schools during the 1960's. If one applied the average annual cost differential for the sample elementary school over an eight-year period for grade schools and four-year period for secondary schools, the average subsidy each student received was $1,208 during grade school and $2,332 during the high school years. And these numbers do not take into account the "family plan" tuition benefits most Catholic families received for having multiple students in school at the same time! The point is that Catholic school alumni/ae owe their alma maters a *huge debt of gratitude.*

In the above examples, if the funds that represent the difference between actual cost and tuition of a graduate's education were placed in an endowment and averaged an annual rate of return of 9%, an elementary school would have $10,885 by the year 2000. A secondary school would have $42,027. If alumni/ae of the 60s gave these amounts, their schools would simply break even in being re-paid a debt of gratitude, to say nothing of giving much more to reflect a true spirit of gratitude and generosity. Many people sacrificed for alumni/ae to attend Catholic schools. Now it is their turn to make Catholic education possible for others. If each alumnus/a contributed these amounts to his/her alma mater, all Catholic schools would be in wonderful financial shape.

For current parents of Catholic school students, there is an issue of justice in providing for the total cost of their child's education. Obviously, not every parent can contribute the difference between actual cost of education and tuition. At least some parents in every school can pay the total cost of their child's education. Those who can, need to be asked to pay the total cost of education as their part in helping keep schools affordable. The point here is that Catholic school administrators owe parents an explanation about the school budget that shows the difference between actual cost of education and tuition. Then, parents

need to be asked, "If tuition were total cost instead of the current amount, would you need to ask for that difference in financial aid?" If their answer to that question is "yes," then Catholic schools are here to provide that subsidy. For those families that do not need the subsidy, ask them to contribute the difference between actual cost and tuition.

While we have a responsibility to talk with students, alumni/ae and parents about the proper use of money and their need to share their time, talent and treasure, we need to show all of them, especially alumni/ae and parents, the actual cost of education and subsidy received. Alumni/ae need to understand that many people sacrificed and gave of themselves so they could have an excellent education. Now, as successful alumni/ae, it is their turn to give back to the Catholic schools that helped them in their development and they should be encouraged to do so through annual contributions to the school endowment and by naming the school as a percentage beneficiary in their estate plan.

Recently, a long-time donor to a Catholic school passed away. In his will, he left 10% of his estate to the school. Originally, he had it in mind to leave the school $500,000. Later, he changed his provision to 10% of his estate to protect his heirs from being bound to a specific bequest in the event of unforeseen expenses. During that time, his estate grew substantially thanks to investments in the stock market. So, instead of receiving $500,000, the school received 10% of his estate which amounted to $2,400,000! Does your school encourage donors to make a provision in their will as a percentage beneficiary? (See Appendices: Sample 2 and 3-Will Request Provisions and Endowment Fund Recognition Opportunities.)

Chapter VII:

Who Should Ask for Gifts to the Endowment?

The key leadership in schools must be involved personally in asking for gifts to the endowment. They need to lead by example and make their own gift first. After all, why should anyone give if we are not willing to model the behavior we want others to follow? All administrators, development staff, board members and other influential volunteers should help lead in building the endowment by making a proportionate gift. The idea here is to give in relationship to one's means and assets. Giving a percentage of annual household income and/or one's estate are the best measures for determining a proportionate gift. Start with yourself and build the support base from there.

In elementary schools without a development staff, the responsibility of asking for gifts to the endowment will fall onto the shoulders of the principal or pastor with support from the school board. In secondary schools, the president, development staff, and board members should be involved in asking for endowment gifts. The primary responsibility for asking belongs with the president and development staff. The development staff should not only be involved in face-to-face solicitations, but coordinate the contacts of others to eliminate duplication of contact, and avoid asking for the annual fund one-week and endowment the next week.

Chapter VIII: The Triple Ask: Technique for Soliciting Annual, Capital, Endowment Gifts

School administrators and development staff who have spent any amount of time raising major gifts know the biggest obstacle to raising major gifts is getting the initial appointment. Unfortunately, too many development staff and others charged with asking are shy about picking up the phone to request an appointment. A way to overcome this psychological barrier is to realize you are doing donors a favor by presenting them the opportunity to experience the joy of giving. Once you develop this conviction, you are ready to deal with the realities of scheduling appointments: people do not return your phone calls; they are too busy to meet; they have any number of excuses not to see you. So, when the appointment is finally secured why spend that time on making just one request? Use the *Triple Ask.*

It is important to keep two things in mind when scheduling face-to-face meetings. The first is timing. Timing means knowing the donor's time frame for giving. This can be known by learning as much as you can about the donor, i.e., what kind of month/year the donor has had, family circumstances to be sensitive to, inheritance they have received or are in line to receive. It is best to talk with donors at times when they feel most well off. If this infor-

mation cannot be obtained, it is still better to proceed with a request than not to ask. The second point is that the best responses to giving requests come from face-to-face meetings.

The triple ask is actually three questions asked of a donor to maximize giving potential to the school for annual, capital and endowment needs. The primary target audiences of the triple ask for schools are board members, current parents and alumni/ae who are currently giving or are capable of giving $1,000 or more per year. They have the strongest emotional investment in the school. Ideally, these people already have some giving history to the school.

The first ask is to request support of the annual fund. For parents, it makes sense to explain the difference between actual cost and tuition charged and ask that they make up the difference each year their son or daughter is in school. For alumni/ae, ask them if they will help lead in support of the school by giving $1,000 per year. It is best to suggest a three-year pledge to keep the personal contact workload evenly spread out from year to year.

Once the annual gift is secured, highlight the second part of the triple ask, a request for a capital project or current capital campaign support. Explain that the capital project is a special need and it is being funded through pledges payable over a 3 - 5 year period. Depending on the size of the project, capital requests may be focused on individuals capable of giving major gifts of say, $10,000 and up, over the pledge period. The amount that defines a major gift varies widely from school to school. A pledge of $10,000 over three to five years is a common minimum level for major gifts to capital campaigns. In some schools it might be $1,000, $5,000, $50,000, $100,000 or more. In most schools, it is a combination of several levels. The key to defining major gift levels is to carefully analyze school needs/campaign goals in relation to the number of major gift prospects and their capacity to give.

Answers to the annual and capital requests are an indication as to how the donor will respond to the third part of the triple ask: endowment giving. The focus here is to plant a seed with the donor for an endowment gift through some kind of estate or planned gift, such as will bequests, life insurance or a charitable remainder gift. An explanation of the school's vision for its future is an impor-

tant part of this request. The request should be simply stated, something on the order of "When the time is right for you, will you consider including the school in your estate plan?" If the donor agrees to take the suggested action, it is likely to be done some months after the meeting takes place before the estate provision is actually completed.

It is highly unusual that a donor will provide answers to all three parts of the triple ask during a face-to-face meeting. Therefore, a good practice is to follow the meeting with a letter restating the three requests and the school's understanding of the action the donor will take. Then, follow-up with a phone call within two weeks, or an agreed upon time frame, to learn of the donor's decisions to the triple ask.

Some schools are reluctant to ask their parents for support during the first year of their child's experience at the school. By denying these parents the opportunity to be givers, schools place undue pressure on their operating budgets. Many schools shy away from the planned giving part of the triple ask in meetings with donors. They are fearful of offending donors talking about a gift that reminds them of death. Asking donors to consider planned giving as part of the triple ask may not be appropriate in all personal solicitations. However, in many cases with new parents, alumni/ae, regular and major gift donors, they are quite open to the suggestion of providing for the school in their estate plan. After all, it is a way to endow the gifts they make during their lifetime.

School administrators and development staff need to keep the value of Catholic education and the giving capacity of their constituents in mind. Catholic schools offer something special, a value-based education whose worth is proven. The track record of Catholic education is excellent. Also, only a portion of the giving potential of alumni/ae and parents sending their children to Catholic schools has been realized. National studies on Catholic giving consistently show that Catholics give at a rate approximately half of the national average and yet, Catholics have among the top per capita annual household incomes by religious group. All of this means there is tremendous potential to dramatically increase development results for all Catholic schools!

Chapter IX:

Ways to Grow the Endowment

There are three primary ways to grow the endowment.
1) Planned Giving
2) Cash and Gifts of Appropriate Stock
3) Capital Appreciation

With planned giving, ask alumni/ae, parents and other friends to remember the school in their estate plan. This would include a provision in their will, life insurance or charitable remainder gift, such as charitable remainder trusts, charitable gift annuities, or life estate gifts. Years from now, the biggest portion of schools' development revenue will come from planned gifts. Schools that have been actively promoting planned gifts are receiving multi-million dollar gifts from donor estates.

Studies by the National Committee on Planned Giving and many other groups show that trillions of dollars will pass from one generation to the next during the next decade alone! Why deny your school the opportunity to share in this tremendous transfer of wealth? Help donors learn one of life's most important lessons, the joy of giving! Also, many people are seeing problems associated with leaving all of their wealth to their children and are passing more of their assets to charities. Besides, can there be a more important ministry worthy of support than Catholic education?

Second, endowments can grow with cash and gifts of appreciated stock. Endowment donations of cash and cash

equivalent gifts, such as stocks and real estate, should be sought from large annual giving donors as well as donors who complete capital giving pledges. Schools that actively promote giving appreciated stock are experiencing significant increases in the number of major gifts as well as their overall development revenue. Ideally, cash and cash equivalent gifts would be sought at the level of $1,000 per year and higher.

The third way to grow the endowment is through capital appreciation. The stock market expansion has led to unprecedented returns for endowment programs. Proper investment of endowment assets can lead to significant growth of the endowment. Maintaining a sound investment program for the endowment is part of the school's stewardship of its resources.

Chapter X:
Recognition Societies

Once donors include the school in their estate plan, it is essential to stay in touch with them to maintain and enhance their gift. It is easy for donors to change their estate plans and some will do so if they feel the school no longer cares about them. The important point to keep in mind is once people make a provision in their estate for the school, it is a sign they love what the school does. And that means the school should send more information to donors to keep them informed and go see them at least annually. *Don't ignore them.* They are providing for the future of the school.

One way to maintain relationships with planned giving donors is to establish a recognition society, such as "Heritage Society," or "Legacy Club," for friends of the school who make or pledge a planned gift. These donors should be listed as such in the school's annual report. It is a way of saying "thank you" to people during their lifetime for a gift that usually comes at their death. And, it is a way to encourage other people to make an estate provision for the school by the fact that others are also taking this action.

Generally, it is advisable not to require donors to make a minimum dollar level of planned gift in order to become a member of the recognition society. If you stick to asking for a percentage of the estate, you will not be disappointed with the size of the gift the donor leaves behind. Focus on getting many people to include the school in their estate plans. Treat them well. Stay in touch with them on a regular basis. Over time, work with them to increase their initial pledges.

If the school has sufficient staff support, an annual

recognition event for planned giving donors helps reinforce and strengthen the bond between donors and the school. It might be a Mass followed by brunch and a tour of the school. It could be an existing school activity that has special thanks for recognition society members. Even though there are some costs to hosting an annual event for recognition society members, there are several advantages to conducting such an activity. It allows them to see, feel and touch the good work of the school. It helps remind them why they are making an estate provision for the school. It puts them in social contact with other friends of the school. And, it may lead to increasing their gift the next time they update their estate plan.

Some schools offer certificates of appreciation to their recognition society members and even have the certificates framed for their donors. When people display these in their offices, the certificates become a conversation item that can create new planned giving prospects for the school. The more people who are talking about planned giving for the school, the larger the recognition society can become and, ultimately, the larger the size of the school's endowment.

Other forms of recognition for planned giving as well as cash donors include having a named fund within the endowment. The named fund can be in a person's honor: a family member or even a favorite faculty member. Endowed funds honoring longtime faculty members are likely to attract support from grateful alumni/ae. Also, named funds can be used to focus donors on achieving higher gift levels consistent with endowment goals for specific areas of the school. Named funds usually have some restriction placed by the donor and yet the purpose needs to be consistent with school objectives.

Many schools require a certain level of a major gift before they will allow a donor to have a named endowment fund. It might be $10,000, $100,000 or more. Two suggestions are to think big and to think long-term. You want to establish giving levels that will allow the revenue from the endowed fund to have some visible benefit to the school. However, gift levels that are too high may discourage many people from considering a named endowed fund. The key to determining gift levels for named endowed funds is the same for determining major gift levels for capital campaigns: analyze the school's needs in relation to

the number of prospects at various levels and their capacity to give.

Chapter XI: Tracking Planned Gifts

Planned gifts should be tracked much the same way as annual and capital gifts are tracked. They are entered into a computer database as a pledge and payments are recorded as they are made. The only difference is that planned gifts have a much longer pledge period than a one-year period for an annual gift or a three- to five-year pledge period for capital gifts. In essence, planned gifts should be treated as pledges. This requires finding out what kind of planned gift the donor is making (will bequest, life insurance, charitable remainder gift) and its estimated current value.

For schools that make all the effort to promote, cultivate and ask for planned gifts, many schools have no idea what value these gifts have. Once donors make a provision for the school in their estate plan, ask them very diplomatically to explain what that means. The authors have had experience with people who said they made an estate provision only to find out later there was no provision at all. There is a sensitive way to ask planned giving donors the estimated current value of their gift that respects the delicate nature of the subject and the highly personal matter of the value of one's estate. Simply explain that the school keeps a confidential file of planned giving donors. Suggest that for *those who are comfortable sharing* the estimated value of their estate gift, the school likes to include that information as a pledge toward its endowment and, this information helps the school plant seeds with other donors to encourage them to make a planned gift. Assure

donors the value of their gift will not be known to anyone outside of appropriate school officials. Let donors know their names will be listed in the recognition society page of the school's annual report, unless of course, donors prefer to be listed anonymously.

Some people are not comfortable sharing details of their planned gift. Never press them on this matter. It is far better to keep cultivating the relationship and let the donor's comfort with and confidence in school staff grow. Based on experience, 70-90% of planned gift donors will let the school know details of their provision when asked in a respectful manner. Those who choose not to reveal this information appreciate having their right to privacy respected and may choose to share the information at another time when their relationship with the school and administrators strengthens.

Some schools ask planned giving donors for copies of their will codicil or other planned giving agreement. This is appropriate when it comes to life insurance policies owned by the school, charitable remainder trusts and charitable gift annuities, but not wills. It is not easily done and can be costly to the donor. Instead, provide the donor with a planned giving society acknowledgment form and ask him/her to sign it. (See Appendices: Sample 4—Planned Giving Society Acknowledgment Form). Keep a copy in the school's permanent files as a way to substantiate planned giving pledges and send copies to donors and their legal counsel.

If you want to predict how much planned giving revenue the school can expect each year, ask planned giving donors to share their birth date and the estimated current value of their planned gift. Most donors are comfortable sharing their birth date and feel honored when asked for this information. Sending a birthday card is another good thing to do for planned giving donors to help cement their planned gift to the school.

Armed with birth dates and estimated values of planned gifts, schools can use actuarial tables to project which gifts will be realized when. This sounds morbid on the surface, but the analyses and projections of the yield provide a valuable budgeting tool for school administrators in planning budgets. Some schools go as far as incorporating this information into their development revenue projections. It

would be too risky to match budgeted expenses with these projections since increasingly people are outliving mortality tables.

Chapter XII:

Role of the Planned Giving Committee

A volunteer planned giving committee made up of estate planning professionals serves an important and meaningful purpose in developing planned gifts for the school, even in schools with no development staff. Some uses of the planned giving committee include designing promotional strategy and materials; setting planned giving acceptance policies; identifying planned giving prospects; conducting planned giving seminars; reviewing and evaluating proposed planned gifts, especially gifts of real estate; and, in some cases, contacting planned giving prospects or assisting school staff in contacting prospective donors.

There are several professional disciplines that should be represented on the planned giving committee. These include a tax attorney with estate planning experience, a certified public accountant, a real estate appraiser, a stockbroker, and a life insurance professional. Ideally, these members should have at least some knowledge of the different kinds of planned giving arrangements. It is also helpful to have some people outside these professions who are members of the target audiences for planned gifts (alumni/ae, parents, grandparents).

Chapter XIII:
Planned Giving Policies

Schools that want to be active in the promotion and receipt of planned gifts need reporting and gift acceptance policies, particularly for gifts of real estate (See Appendices: Sample 5 and 6—Standards for Reporting Planned Gifts and Gift Policies). Any proposed gift of real estate offered to the school should be treated as a red flag due to potential environmental concerns. Even if the donor is a longtime, loyal friend of the school, there may be a heating oil tank that leaked oil onto the property and/or a neighbor's property which the school becomes liable for when it accepts ownership. Detailed policies and procedures for accepting gifts of real estate need to be developed to protect the school from the potential, yet remote, expense of cleaning up environmental hazards. If the real estate (land) is healthy, the eventual appreciation will enhance its value tremendously. The members of the planned giving committee could be extremely valuable in uncovering potential problems which may arise from real estate gifts.

Chapter XIV: Protecting the Endowment

When a school has an endowment, it is critical that the endowment be invested wisely. Therefore, it is necessary for the school to develop, with the approval and cooperation of its board, endowment policies and guidelines for investing the principal and to determine the amount of earnings that will be taken from the portfolio each year (See Appendices: Sample 7 — Endowment Fund Investment Policy). In order to properly maintain and increase the endowment, a school needs an endowment advisory board. In many, if not all Catholic elementary schools, the diocese takes care of this and requires the endowment monies of each school to be invested in a large diocesan pooled fund with earnings going back to each school dependant upon the amount of money it has in its endowment. This is a good way to function because many of the elementary schools have a small endowment, and it is much more practical for the diocese to have one board which invests all the money than to have each school with its own endowment advisory board. This may take away autonomy of the school's endowment, but it solves many other problems. For those schools that have their own endowment fund and invest on their own, the endowment advisory board is very important.

In many schools, the endowment advisory board is accountable to the board of trustees. In effect, it functions as a committee of the board. Its role is to advise and manage the investment of endowment assets. The actual investment of endowment assets is usually done by a paid

professional portfolio manager. The decision whether to hire a portfolio manager or to have the endowment advisory board invest endowment assets directly will depend on the size of the school endowment, the competency of the endowment advisory board and the school's trust in the abilities of its board members. In most cases, the endowment advisory board should be made up of individuals who are money managers. The members' expertise and wisdom can be used to help select a money manager for the portfolio, develop investment guidelines, including asset allocation of stocks and bonds, and determine the amount of earnings to be taken annually from the portfolio.

A school should avoid taking all of the endowment earnings in a given year. In effect, this cuts into the principal of the endowment because it does not allow for inflation. Secondly, it limits the principal from growing and compounding over a period of years. A conservative norm that could be used in deciding the amount of endowment earnings for any given year would be to take three percent of the portfolio for school needs with the understanding that whatever percent is left over, goes back into the principal. Taking a lower percentage of the portfolio each year for operating needs reduces the amount of support to the school in the short-term. However, it has the long-term benefit of providing a hedge against inflation, allowing the principal to grow through reinvesting, thereby providing much greater support to the school in the long run. The important point here is that whatever determinations are made, an endowment advisory board is important for the proper maintenance of the endowment.

Summary

Catholic schools have always strived to uphold the value of making its value-based educational experiences accessible to students of all economic backgrounds regardless of ability to pay. While the leaders of Catholic schools want the schools to remain accessible, the challenge ahead is keeping Catholic education affordable. Tuition can only be increased so much before schools price themselves out of the marketplace. Fundraising can only reap so much. There needs to be a third source of revenue to keep tuition from rising beyond the means of middle-income families. Building an endowment is the answer that will sustain quality Catholic education into perpetuity.

Appendices

The information in these appendices is provided courtesy of Jesuit High School, Portland, Oregon. It is intended solely to serve as a guide in assisting Catholic schools to develop their own endowment presentation materials, promotion, planned giving and endowment policies.

The following samples are included:

1. Personal Solicitation Presentation Materials:
    - A. Mission Statement
    - B. The Crusade for Excellence
    - C. $50,000,000 Endowment
    - D. The Legacy Club
    - E. Legacy Club Member Benefits
    - F. To Join the Legacy Club
2. Will Bequest Provisions
3. Endowment Fund Recognition Opportunities
4. Planned Giving Society Acknowledgment Form
5. Standards for Reporting Planned Gifts
6. Gift Policies
    - A. Procedures for Gifts of Real Estate into a Charitable Remainder Unitrust
    - B. Procedures for Gifts of Real Estate into a Charitable Gift Annuity
    - C. Gift Annuity Acceptance Policies
    - D. Checklist for Receipt of Charitable Gift Annuities
7. Endowment Fund Investment Policy

Jesuit High School bears no responsibility for the adaptation of any materials included in this publication.

Sample 1: Personal Solicitation Presentation Materials

Mission Statement

Jesuit High School is a Catholic, college preparatory school in the Jesuit tradition. It serves students of all religious faiths. Jesuit education fosters the harmonious development of adolescents in all their gifts:

* Spiritual
* Religious
* Intellectual
* Physical
* Emotional
* Aesthetic

Jesuit hopes to accomplish this development by demonstrating:

* A personal concern for the individual
* An articulate wisdom
* Enthusiasm
* Sense of community

Jesuit High School hopes to graduate leaders who are committed to serve God and their fellow men and women through a profound sense of justice founded in love.

Leaders who are "men and women for others."

The Crusade for Excellence

* $50,000,000 in Cash and Pledges
  — Designed so that the principal will remain in the endowment account.
  — Part of the earnings go toward prioritized needs of the operating budget, and the rest goes back into the endowment.

* $5,000,000 for Needed Capital Projects
  — Upgrade of facilities and land improvements

$50,000,000 Endowment

To keep Jesuit affordable by providing funds for:

* Financial Aid to Students
* Faculty & Staff Benefits
  —(Attraction and Retention)
* Academic Programs
* Preservation of Facilities

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The Legacy Club

The Legacy Club was established in 1987 to recognize friends of Jesuit who include the school in their estate plans. Members are invited to the annual President's Appreciation Evening and periodic estate planning seminars.

Legacy Club gifts help build the Jesuit endowment. The long-range goal is to build the endowment from its present level of $7 million to $50 million. The endowment is used to:

* Provide tuition assistance to students who otherwise would not be able to attend Jesuit
* Increase operating support for academic programs
* Maintain quality facilities that are the setting for an excellent learning environment
* Provide increased benefits for faculty and staff

You may become a member of the Legacy Club in one of several ways:

* Include a gift to Jesuit in your will, revocable trust or other financial plan
* Name Jesuit as the owner and/or beneficiary of a life insurance policy
* Enter into a life income agreement or charitable trust for the benefit of Jesuit
* Make a gift of your residence, while retaining the right to live in it for life

The legal wording for including Jesuit in your estate plan is:
Jesuit High School, Portland, Oregon.

For more information on Jesuit's Legacy Club, please contact:

Mr. Steven Beaird
V.P. Development/P.R.
(503) 291-5415

Mr. Ken Bunn
Director Planned Giving
(503) 291-5477

Legacy Club Member Benefits

As a member of the Legacy Club the following lifetime benefits are extended to you in appreciation of your support and dedication to Jesuit High School. The Legacy Club currently has 170+ members.

* Legacy Members Mass & Brunch in October
* An invitation to attend the President's Appreciation Evening in April
* Athletic pass to all home sporting events
* Invitations to special focus seminars on estate and gift planning
* Communications and timely updates from Jesuit
* Printed recognition in Age Quod Agis annual report (Will be omitted at your request for privacy)

One of the biggest benefits of including Jesuit in your gifting/estate planning is knowing that you have helped preserve this institution for future generations. Jesuit has influenced many young people by challenging and changing forever the way they view their faith, education, and their sense of community. These leaders have already influenced the greater Portland community in a very positive way. We are excited to see what changes will take place as more students graduate from Jesuit High School and become leaders in our community.

The legal wording for including Jesuit in your estate plan is:
Jesuit High School, Portland, Oregon.

For more information on Jesuit's Legacy Club, please contact:

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Director Planned Giving
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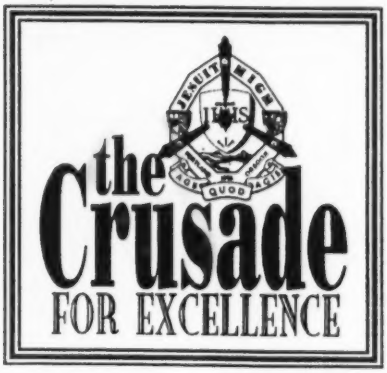

To Join the Legacy Club

- Include a gift in your estate plan to Jesuit High School
  - Outright Gifts
  - Beneficiary of Wills
  - Beneficiary of Life Insurance
  - Jesuit Ownership of Life Insurance
  - Deferred Gifts
- Charitable Remainder Trusts
- Charitable Annuities
- Life Estate
  - All of the above provide income tax and estate tax relief, while providing a benefit for life.
- Document using checklist

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Sample 2: Will Bequest Provisions

The ABC's of Your Will & Charitable Bequests

Will Bequest Provisions

A. Simple Bequest:

... at my death I leave $_____ or ___% of my estate, to Jesuit High School, Portland Oregon.

... at my death, and if my spouse is not then living, I leave $_____ or ___% of my estate to Jesuit High School, Portland Oregon.

... at my death, and if my spouse is not then living, or if (others) and (family) are not then living, I leave $_____ or ___% of my estate, to Jesuit High School, Portland Oregon. (Usually larger percentages).

B. Complex Bequest:

Any combination of the "Simple Bequest" as outlined above, but tied to when your estate has grown enough to create a tax liability. Is it better to give to Jesuit than to pay taxes to the government?

... at my death, and if my residue estate is more than the amount sheltered by my Unified Estate & Gift Tax Credit, I then leave from this excess amount $_____ or ___% of such excess to Jesuit High School, Portland Oregon. (Usually larger percentages).

C. Combination Bequest:

Use any combination of "Simple & Complex" bequests. Best of both Simple & Complex.

... at my death I leave $_____ or ___% of my estate, to Jesuit High School, Portland Oregon. If after making this previously mentioned bequest, my residual estate is more than the amount sheltered by my Unified Estate & Gift Tax Credit, I then leave from such excess $_____ or ___% to Jesuit High School, Portland Oregon. (Usually larger percentages).

Sample 3: Endowment Fund Recognition Opportunities

A gift of education lasts a lifetime. An endowment gift lasts forever. Consider placing your name upon us as part of your legacy of a lifetime.

Call Jesuit's Planned Giving Department at 503-291-5477 for more information.

ENDOWMENT PROGRAM

Endowed funds are part of the Jesuit endowment and may be named for individual donors, in honor of others, or in memory of a deceased family member or a friend. Gifts of cash, real estate, estate gifts, or life insurance create an endowed fund that provides operating support for the area you designate into perpetuity. The following endowed fund naming opportunities are available:

Fully Endowed Academic Chairs $1,000,000

Endowed chairs have been established for Campus Ministry, the Diversity Program and minority student scholarships. Endowed chairs are still needed for the following academic departments and programs:

- Christian Service
- Art
- Clark Library
- Drama
- English
- Foreign Language
- History
- Journalism
- Math
- Music
- Physical Education
- Religion
- Science

Ignatian Teachers Fund $1,000,000

This fund helps make it possible for Jesuit to retain and continue to attract excellent teachers by providing funds for faculty continuing education and increased benefits for faculty and staff.

Athletic Chairs $500,000

Athletic chairs make it possible to fund new equipment needs and help maintain Jesuit's athletic fields.

- Baseball
- Basketball
- Cross Country
- Football
- Golf
- Skiing
- Soccer
- Softball
- Swimming
- Tennis
- Track
- Volleyball

Fully Endowed Funds for Financial Aid $300,000

These funds make it possible for one student to receive full tuition assistance each year into perpetuity.

Partially Endowed Funds for:
Financial Aid ..... $100,000 & $50,000

These funds make it possible for one student to receive up to $3,000 in tuition assistance each year into perpetuity.

CAPITAL PROJECTS

These recognition opportunities are available for cash, stock and real estate gifts paid over a three- to five-year pledge period.

Athletic Stadium $1,000,000
Executive Office Wing $500,000
Softball Field $250,000
Renovation of 26 class rooms $30,000
(Each room)

Sample 4: Planned Giving Society Acknowledgement Form

JESUIT HIGH SCHOOL LEGACY CLUB Date: / /

Name _____
Address _____
Phone _____ Work _____
Donor's Birth Date ____/____/_____
Spouse Name: _____
Spouse's Birth Date ____/____/_____
Home: _____

Relationship to Jesuit

❑ Board member:_____
❑ Current parent
❑ Grandparent
❑ Alumnus Class of: _____
❑ Past parent
❑ Other friend

Legacy Club Provisions

Bequests ❑ Single Gift ❑ Joint Gift
❑ Pension ❑ IRA ❑ Other:_____

Projected value of bequest/beneficiary $_____
Percent of estate willed to Jesuit_____%
Contingent amount/percent to Jesuit $_____or _____%
Notes:

Life Insurance ❑ Single ❑ Joint
❑ New policy face $_____
❑ Jesuit owner ❑ Beneficiary $_____
❑ Existing policy face $_____
Notes:
❑ Primary only ❑ Cont. ❑ Disaster
$_____ $_____ $_____

Future Gifts ❑ Single ❑ Joint Gift
❑ Other: _____

❑ Charitable Remainder Trusts Date:
Term of trust: ❑ Life ❑ Years _____
❑ Unitrust ❑ Annuity trust
Initial value $_____ Earnings interest rate ____%
Pay out rate _____%
Notes:

❑ Charitable Lead Trust Date:
Interest rate ___%
Income to Jesuit $_____
Term of trust: ❑ Life ❑ Years _____
Notes:

❑ Gift of Property Date:
Notes:
Inspection date:_____ By:_____
Accepted date:____/___/_____

Recognition:
Named fund if over $50,000 _____
Attorney:
Life Ins. Agent:
CPA:
Print in Annual Report Y/N

Acknowledgement

_____ _____
Signature Date

Contacted by:_____
Jesuit High School

Sample 5: Standards for Reporting Planned Gifts

JESUIT HIGH SCHOOL

The following standards are used by Jesuit High School in the recording of various types of planned gifts and are included in the school's gift income reports.

Testamentary Pledge Commitments or Will Bequests

Jesuit counts testamentary pledges in its reports as long as the pledge meets the following three requirements.

1. The commitment must have a specified amount or percentage of the estate stated in the will based on a credible estimate of the future value of the estate at the time the commitment is made.
2. Jesuit must receive verification of the commitment in one of the following forms:
   A. A letter from the donor or the donor's attorney affirming the commitment.
   B. A Legacy Club Acknowledgment Form signed and dated by the donor.
3. The amount specified or estimated is reported at both the discounted present value and at face value. The premise underlying the discounting of gifts of a future interest is the present value of a future interest is less than the fair market value of the assets at the time the gift commitment is made.

Life Insurance

Jesuit includes gifts of life insurance in its reports when Jesuit is named the owner and irrevocable beneficiary of the policies.

1. Paid-up life insurance policies are counted at both the face value and the discounted present value.
2. Existing policies that are not fully paid-up are counted at the value and existing cash value.
3. New policies are counted at the cash surrender value of premiums over the time period of the campaign.
4. Realized death benefits are counted provided no gift amount was previously counted.

Charitable Remainder Trusts

Gifts made to establish charitable remainder trusts where

the remainder is not subject to change or revocation are counted both at the discounted present value of the remainder interest allowable as a deduction by the Internal Revenue Code and at face value.

Charitable Gift Annuities

Gift annuities are counted in two ways: face amount transferred and the amount allowable as a deduction under the Internal Revenue Code.

Marketable Securities

Jesuit counts marketable securities at the average of the high and low quoted selling prices on the date the donor transfers assets to Jesuit High School. If the security was not traded on the date of transfer, Jesuit will use the high and low selling price on the date of sale. Brokerage fees or other expenses associated with the transaction do not affect the value reported.

Closely Held Stock

Gifts of closely held stock exceeding $10,000 in value are reported at the fair market value placed on them by a qualified independent appraiser as required by the IRS for valuing gifts of stock that are not publicly traded.

Real and Personal Property

Gifts of real and personal property that qualify as a charitable deduction are counted at the full fair market value. A qualified independent appraiser will be used to determine value of real and personal property in excess of $5,000.

Remainder Interest in a Residence or Farm

A gift of a remainder interest in a personal residence or farm is reported at the remainder value recognized as an allowable deduction by the IRS and the face value.

Charitable Lead Trusts

For lead trusts whose terms extended five years or less, the face value is reported. For charitable lead trusts longer than five years, Jesuit counts amounts beyond the first five years at the remaining face value of the income stream and at discounted present value of the remaining income stream.

Sample 6: Gift Policies

JESUIT HIGH SCHOOL GIFT POLICIES

A. Gifts of Real Estate

Real estate gifts may include personal residences, rental properties, office buildings, land, leasehold interests and other structures. Such gifts may be outright gifts, bargain sales, installment sales, or part of a charitable life-income plan with Jesuit High School. Real estate can be highly illiquid, costly to maintain until liquidation, and have pre-existing conditions attached to it. Accordingly, Jesuit development staff with guidance from the planned giving committee will carefully scrutinize any proposed real estate gift before recommending acceptance to the board of trustees. Information gathered on each property shall be provided to the planned giving committee and executive committee of the board of trustees.

1. Authority for Real Estate Transactions
   a. The board of trustees
      The board of trustees has responsibility for overseeing all facets of Jesuit's real property activities. When a planned giving agreement involves real property, the planned giving committee will review the gift scenario and advise the board of trustees which will make a decision for acceptance or rejection. The board may delegate its decision-making responsibility to the executive committee in order to expedite decisions on potential gifts.
   b. Negotiation, Acceptance, Sale and Disposal of Real Estate
      Authorized representatives and development staff are responsible for the solicitation and negotiation of real property gifts and/or bargain sales to Jesuit. They may accept gifts of real property on behalf of Jesuit subject to the approval of the board of trustees. Authorized representatives and development staff are responsible for the sale or disposal of property on behalf of Jesuit as authorized by the board of trustees.

2. Preliminary information

The initial screening of real property being considered for acceptance as a gift by Jesuit is generally performed in the context of a staff member's meeting with the donor. Donors are often sensitive about releasing information. Diplomacy and judgment must be used in deciding how much information should be requested and when.

A **Property Gift Information Worksheet** will be prepared on every piece of property which will provide the basis for the evaluation of the property by development staff. Some of the information required may be available from the title report or other public sources. Other information may be obtained only through a site visit. The level of information required to make a decision to accept a gift will vary depending on the nature of the property. Undeveloped and agricultural properties usually require less information than residential and light commercial properties. Manufacturing and industrial properties will almost always require the most information before a recommendation may be made.

3. Site Examination

Before any property can be accepted by Jesuit, the site must be thoroughly inspected by a Jesuit development staff person or a delegated representative using the Property Gift Information Worksheet. The primary purpose of the site inspection is to determine if there are any obvious unacceptable financial, legal, environmental, marketing or public relations risks associated with acceptance of the property.

In some cases, further evaluation will be necessary before approval is recommended. Such cases would include any situation where there are questions about marketability, public relations risks, environmental hazards, or financial liabilities. These factors are of particular concern: hazardous waste problems, property value at less than $10,000, and an existing mortgage in excess of 30% of property value.

a. Environmental Issues

Hazardous waste and other environmental issues can present serious problems to the owner of

a property. A donor is under no legal obligation to inform Jesuit about any problems associated with a gift of land. Although information on the environmental condition of property is always sought from the donor, an owner may choose not to respond to this request or may be unaware of any problems. It is the responsibility of Jesuit to determine the liabilities associated with the acceptance of any gift.

If the site inspection suggests there is significant potential for environmental risk, an outside technical consultant should be engaged to prepare an Environmental Assessment Report. As there are significant legal issues that arise if contamination or other environmental problems are discovered, including reporting and clean-up requirements, the donor must consent to the investigation and acknowledge any reporting obligation that may arise.

Environmental assessments may be costly. Jesuit should have a clear understanding with the donor regarding responsibility for the expense of the assessment and any actions necessitated by the assessment's findings.

b. Indebtedness

Accepting and holding properties subject to a mortgage is likely to involve Jesuit in unrelated business activity, thereby raising the issue of unrelated business income tax liability. Jesuit will consider a bargain purchase of mortgaged properties on a case by case basis.

4. Marketability and Carrying Costs

The marketability of a property must be considered before a gift is accepted. Discussions with local planners, realtors and others will help in determining the property's marketability. The cost to hold the property for sale is important in deciding whether or not to accept a gift. Carrying costs may include property taxes, mortgage payments, maintenance, insurance, and association or membership fees. Although most properties will be sold within six months of acceptance, an assumed holding period of 18-24 months is

recommended as a conservative approach in analyzing the gift.

5. Written Proposal to the Donor
   A written proposal should be delivered to the donor as soon as possible after the site evaluation and document review. This proposal should include:
   * Assumptions about the donor and the property upon which the proposal is based
   * Purpose or project that will benefit from the gift
   * Review of the estimated tax consequences and benefits of the gift
   * Need for independent appraisal and reference to IRS reporting requirements
   * Recommendation that the donor review the proposal with his or her legal and tax counsel
   * Explanation that the acceptance of the gift requires positive action by the Jesuit board of trustees upon recommendation by the planned giving committee

6. Disposition of Property
   The basic policy of Jesuit is to sell all gifts of property as soon as advantageous. Managing real property over extended periods can be expensive and will be the exception and not the usual practice. Authorized representatives and staff of the Development Office are responsible for the sale or disposal of property on behalf of Jesuit as authorized by the board of trustees.
   The donor may assist in locating a buyer for the property, but under no circumstances should the donor have established a marketing or sales agreement with any agent or principal, nor should the buyer have a signed sales agreement on the property. To do so would bind Jesuit's hands and jeopardize the donor's tax deduction.
   Jesuit will seek to obtain the best possible price to meet its fiduciary responsibility to Jesuit and the donor. In most cases, Jesuit will receive a copy of the donor's appraisal utilized to establish the fair market value of the contributed property. This appraisal will aid the establishment of a market price for the property.

Jesuit will transfer property under a special warranty deed, bargain and sale deed, or quitclaim deed. Only upon approval by the planned giving committee will property be transferred under a general warranty deed.

7. Expenses and Proceeds

All direct expenses related to outright gifts of real estate will be charged to the project, and the net proceeds will benefit the gift purpose. Prior to the disposition of the property, direct expenses will be funded through Jesuit unrestricted funds.

Once the property has been given to Jesuit, or placed in a trust, but prior to a sale, taxes, insurance, and maintenance fees are expected to be paid out of the income earned by the real estate, or the donor may be asked to make a donation to Jesuit to cover such costs. The net income/expense to the donor of this action (should it be necessary) is exactly the same as if he/she had retained ownership, but in addition the donor receives an immediate income tax deduction due to this gift. Where unusual carrying costs are anticipated, the donor of the property may be asked to cover these expenses.

8. Insurance

Jesuit High School will maintain liability insurance for properties on a case by case basis. All buildings of substantial value must be covered by a fire insurance policy. Existing fire insurance policies should be assigned to Jesuit High School as the new owner where possible. In cases where this cannot be done, Jesuit will secure individual fire insurance policies. Property damage coverage for developed property new to the Jesuit portfolio, if not assigned by the donor, will be arranged by Jesuit. Information needed is specified on the Property Gift Information Worksheet. On a case by case basis, Jesuit may elect to self-insure in those instances in which the costs of obtaining insurance is prohibitive. Funds for repairing structural damage would be guaranteed by Jesuit if this option is chosen.

B. Bargain Sale Agreements

A bargain sale is a sale of property for less than its fair market value. When a bargain sale is made to a qualified charitable organization, the excess of the fair market value of the property over the sales price becomes a charitable contribution to the organization. Almost anything can be sold or exchanged in a bargain sale. A bargain sale may be utilized when the donor wants to maximize his/her charitable deduction, but needs some funds or an installment income stream from the sale. It is also one way to enable a gift of encumbered property to proceed. If the property or item is desired by the organization, a bargain sale is one means to acquire the property that may be advantageous for the donor and the organization. Unless specifically recommended by the planned giving committee, the bargain sale price paid for the property may not exceed 50% of its appraised value.

Concerns of liquidity, marketability, holding costs, environmental contamination, and liability must be considered before entering into any bargain sale agreement. The bargain sale also requires identification of Jesuit funds prior to entering into any bargain sale agreement to provide for the outlay of cash or income stream that the purchase agreement may require.

C. Intangible Gifts, including Notes, Mortgages, Contracts

Assets described as intangible personal property include promissory notes, contracts, copyrights, patents, royalty agreements, and mortgages. Complex tax and non-tax considerations are involved with these types of gifts. Special care must be exercised to insure that the donor is aware of the tax implications of such a gift.

Gifts of notes and contracts will be carefully reviewed to ensure that the paper is collectible, properly collateralized, and that Jesuit is provided with accurate information from the donor and/or his/her representative. The payment history associated with the note or contract is an important factor in this analysis. Concerns regarding liquidity, marketability, holding costs, and liability must be considered before accepting any tangible property gift.

D. Tangible Personal Property Gifts

Potential contributions include art collections, antiques, jewelry, timber, airplanes, automobiles, medical equipment, boats, etc. As there is a wide variety of miscellaneous personal property which can be gifted, each asset will be reviewed as to its appropriateness for acceptance by Jesuit.

E. Donor Recognition Letter

A thank-you letter will be sent to the donor as soon as possible after receipt of the gift. The letter acknowledges receipt of the donation as of the date the title was transferred to Jesuit.

F. Disposition

Jesuit's policy is to sell all gifts of property as soon as advantageous. Managing real property over extended periods can be expensive and will be the exception, not the usual practice. The donor may assist in locating a buyer for the property, but under no circumstances should the donor have established a marketing or sales agreement with any agent or principal, nor should the buyer have a signed sales agreement on the property. To do so would bind Jesuit and jeopardize the donor's tax deduction. The remainder beneficiary of charitable life income gifts is the Jesuit High School endowment unless otherwise specified by the donor.

JESUIT HIGH SCHOOL
PROCEDURES FOR GIFTS OF REAL ESTATE
INTO A CHARITABLE REMAINDER UNITRUST

Real estate may be a very advantageous vehicle to fund a charitable life-income gift plan. However, real estate can be highly illiquid, costly to maintain until liquidation, and have pre-existing conditions attached to it. Accordingly, any real estate will be carefully scrutinized before acceptance by Jesuit High School. The board of trustees serves as the gift acceptance body and makes the final decision regarding all property transactions.

Introductory Information

There are three possible variations of charitable unitrusts:

1. Standard (regular) unitrust
   The trustee pays the beneficiary an income each year based on a fixed percentage, not less than 5%, of the net fair market value of the trust assets, as determined each year. The trustee looks first to ordinary taxable income of the trust, current or past, for the required payment. If ordinary income is not sufficient, capital gain income is utilized. The third tier is other income (tax exempt). The final source is use (invasion) of the trust principal if needed. The trust assets are invested for total return, thus allowing a great deal of investment flexibility for the trustee.
2. Net income unitrust without make-up
   Trust payments are limited to the net investment income—what the trust has earned in the current year. If the annual income is less than the payout percentage amount, the donor receives the amount earned by the trust assets - whatever it may be. If the trust earns more than what was agreed to be paid, the excess earnings are added to the principal and increase the earning potential of the trust for the next year. The principal will never be used to make the payments. Because invasion of principal is not permitted with a net income unitrust, trust assets must be invested with a focus on income rather than total return.
3. Net income unitrust with make-up

Trust payments are limited to the net-investment income of the trust. Sometimes the trust may not be able to earn enough to pay the stated amount of the trust agreement, creating a deficit in earnings. But with this type of unitrust, the trust makes up for those past deficiencies and pays additional income when earnings are in excess of the required income. The type of unitrust selected will depend on the donor's needs, financial objectives, and charitable goals, as well as the nature of the asset utilized to establish the trust. Trusts funded with real estate, closely held stock, and other illiquid assets present special challenges. Because a standard unitrust must make an immediate payout to the income beneficiary, certain requirements must be met when real estate or illiquid assets are involved. Otherwise, a net income unitrust will be utilized. A net income unitrust requires payment of the ordinary income earned by trust assets up to the percent payout chosen by the donor.

A net income unitrust funded with real estate will not make payments to the income beneficiaries until the real estate is sold (unless there are existing rental or lease agreements in place). Rental income will provide additional flexibility in the design of the trust. Although marketing and sales expenses will be subtracted from the proceeds of the property sale, the asset value used to calculate the first year's payout and the donor's deduction will be based on the gross fair market value. Future years' payouts will be a percentage of the trust assets valued at the beginning of each calendar year.

The payout rate must be at least 5% and should be low enough to provide for growth of capital. The payout rate is arrived at by agreement between Jesuit and the donor. The payout rate must consider current market conditions and expectations at the time the trust is established.

Debt Encumbered Property and Charitable Trusts

A charitable remainder trust will be disqualified if funded by property subject to a mortgage. Property transferred to a trust must be free and clear of all debt. Recommendations

will be provided depending on the circumstances of the donor related to the property in question. Some potential options include: 1) paying off the debt with other donor resources; 2) transferring the debt/mortgage to another asset of the donor; and 3) undivided interest in the property to Jesuit for the amount of the mortgage. Then Jesuit will be repaid from the sale of the property. A tax on the capital gains associated with the property may be due on the portion (%) sold.

The following procedures outline steps normally taken with property funding a charitable remainder unitrust. There may be variations in these steps with particular properties because of the unique nature of real estate proposals.

1. Property Gift Information Sheet
   Jesuit development staff will gather information on the property to assemble a profile of the property.

2. Preliminary Title Report
   Development staff will procure a preliminary title report to ascertain the status of the title and determine ownership.

3. Site Examination
   Each potential property gift must be inspected by a development staff person or a designated representative. The purpose of the site inspection is to determine if there are any obvious, unacceptable financial, legal, marketing, or public relations risks associated with acceptance of the property. A site inspection will also enable Jesuit staff to gain an appreciation of the qualities associated with the property.

4. Proposal to the Donor
   A written proposal will be presented to the donor outlining assumptions about the donor and the property, how the property will be transferred to Jesuit, review of tax consequences/benefits of the gift, and recommendation that the donor review the proposal with his/her legal and financial advisors.

5. Acceptance by the board of trustees
The board of trustees serves as the gift acceptance body and make decisions regarding all property transactions. Such factors as marketability, carrying costs, and benefit to Jesuit will need to be considered.

6. Appraisal
Property gifts require an independent appraisal and reporting of such gifts to the IRS on Form 8283. The donor has the responsibility of establishing the value of the gift with the IRS for tax purposes. For property valued at more than $5,000, the IRS requires a qualified appraisal. Jesuit can provide the donor with a choice of qualified appraisers. It is, however, the responsibility of the donor to see that an appraisal is completed and to pay for this appraisal. The IRS prohibits the recipient of gifts to be involved in their valuation. The fair market value analysis determined by the appraisal will determine the initial value of the trust.

7. Document Preparation
Development staff/counsel will prepare the necessary documents for review to transfer the property such as a deed of transfer, title insurance, life estate agreement, etc. The trust documents and the cost of preparation are normally pre-paid by the donor's legal counsel and borne by the donor because of the legal nature of such documents and the necessity of protecting the interests of the donor.

8. Donor Recognition Letter
As soon as possible after the receipt of the gift, a thank-you letter is sent to the donor. The letter acknowledges receipt of the donation as of the date the title was transferred to Jesuit.

9. Disposition
The basic policy of Jesuit is to sell all gifts of property as soon as advantageous. Managing real property over extended periods can be expensive and will be the exception and not the usual practice. The donor

may assist in locating a buyer for the property, but under no circumstances should the donor have established a marketing or sales agreement with any agent or principal, nor should the buyer have a signed sales agreement on the property. To do so would bind Jesuit's hands and jeopardize the donor's tax deduction.

10. Expenses and Proceeds

All direct expenses will be charged to the project. Once the property is given to the trust, but prior to a sale, taxes and maintenance fees must be paid out of the income earned by the real estate, or the donor may be asked to make a donation to Jesuit to cover such cost. The net income to the donor of this action (should it be necessary) is exactly the same as if he/she had retained ownership but in addition they receive an immediate income tax deduction due to their gift. The remainder beneficiary of charitable life-income gifts is the Jesuit High School Endowment Fund, unless otherwise specified by the donor.

JESUIT HIGH SCHOOL
PROCEDURES FOR GIFTS OF REAL ESTATE INTO A CHARITABLE GIFT ANNUITY

Real estate may be a very advantageous vehicle to fund a charitable life-income gift plan. However, real estate can be highly liquid, costly to maintain until liquidation and have pre-existing conditions attached to it. Accordingly, any real estate will be carefully scrutinized before acceptance. The board of trustees serves as the gift acceptance body and makes the final decision regarding all property transactions.

Introductory Information

There are times when a charitable gift annuity is the most appropriate vehicle for making a gift of real estate, though it is not the usual vehicle for such gifts. A gift annuity involves an irrevocable gift to a charitable organization in exchange for a fixed annuity for the lifetime of one or two beneficiaries. A gift annuity is a contract between the donor and the charity that is dependent on the entire assets of the organization for fulfillment. Jesuit High School annuity agreements are approved by the Oregon Department of Insurance.

The minimum for gift annuities established with real estate is $50,000. Annuity payout rates depend on the age and number of beneficiaries. The board of trustees follows the recommended rates of the American Council on Gift Annuities. The minimum cash amount required to establish a gift annuity is $5,000. There are times when a different rate may be appropriate. The donor may desire a lesser payout rate or may have special needs.

The very nature of real estate may call for a lower rate o adjustment to the property value. Residential propert may incur a 7-10% cost of disposal, and non-residential undeveloped property may incur a 10-13% cost of di posal. Costs related to the transfer and sale of the propert include commissions, title insurance, transfer fees, et This lowers the dollar value available to secure the annui by Jesuit.

To offset these costs, the planned giving committee m recommend a reduction in the value of the property o lower annuity rate when real estate is used to establish

charitable gift annuity. A gift annuity provides a fixed payment that never varies and continues for the lifetime of the beneficiaries identified in the annuity agreement. Depending on the asset utilized to establish the gift annuity, the annuity payment may be reported as a tax-free return of principal, taxable income, or long-term capital gain.

Capital gains and the corresponding capital gains tax are not avoided with a gift annuity. The amount of reportable capital gains is reduced because of the charitable gift nature of the annuity. The remaining amount of reportable gain is spread over the life of the beneficiary, and is taken from amounts that would otherwise be considered tax-free return of principal. For example: a donor with a 10 year life expectancy will report 1/10 of the reportable gain reported each year. For some donors it is advantageous to report the gain this way, since their income tax rate may be higher than the capital gains tax rate.

A gift annuity agreement obligates Jesuit to make payments to the donor as scheduled in the annuity agreement, sometimes even before the property has sold or generated income. In order to enter into a gift annuity established with real estate, Jesuit may need to reallocate other income producing resources within its assets that will provide cash payments to the donor. This is a special commitment on the part of Jesuit. Not all charities have the capability or the resources to do this.

Issue of Self-dealing and Other Gift Restrictions

Unlike a charitable remainder trust, the gift annuity is not subject to the self-dealing regulations, since it is a contract between the donor and the institution. When real estate is involved, there are times when the gift annuity offers advantages because of this. Property being considered to fund a gift annuity must be free and clear of all debt. When mortgaged property is utilized to establish a gift annuity, the charitable organization will incur unrelated business income tax related to the gift annuity. The organization will be taxed at corporate rates on the net profit from the sale of the gift property.

Some potential options for dealing with debt encumbered property include: 1) paying off the debt with other donor resources; 2) transferring debt/mortgage to another asset of the donor; and 3) using undivided interest in the

property to Jesuit for the amount of the mortgage. Jesuit will be repaid from the sale of the property. A tax on the capital gains associated with the property may be due on the portion (%) sold.

The Real Estate Process

The following procedures outline steps normally taken with property funding a charitable gift annuity. There may be variations in these steps with particular properties due to the unique nature of real estate proposals.

1. Property Gift Information Worksheet
   Jesuit Development staff will gather information on the property to assemble a profile of the property.

2. Preliminary Title Report
   Jesuit will procure a preliminary title report to ascertain the status of the title and determine ownership.

3. Site Examination
   Each potential property gift must be inspected by a Jesuit development staff person or a designated representative. The purpose of the site inspection is to determine if there are any obvious, unacceptable financial, legal, marketing or public relations risks associated with acceptance of the property. A site inspection will also enable Jesuit staff to gain an appreciation of the qualities associated with the property.

4. Proposal to the Donor
   A written proposal will be presented to the donor outlining assumptions about the donor and the property, how the property will be transferred to Jesuit, review of tax consequences/benefits of the gift, and recommendation that the donor review the proposal with his/her legal and financial advisors.

5. Acceptance by the board of trustees
   The board of trustees serves as the gift acceptance body regarding all property transactions. Such factors as marketability, carrying costs, and benefit to Jesuit may be considered.

6. Appraisal

Property gifts require an independent appraisal and reporting of such gifts to the IRS on Form 88283. The donor has the responsibility of establishing the value of the gift with the IRS for tax purposes. For property valued at more than $5,000 the IRS requires a qualified appraisal. Jesuit can provide the donor with a choice of qualified appraisers. It is, however, the responsibility of the donor to see that an appraisal is completed and to pay for this appraisal. The IRS prohibits the recipient of gifts to be involved in their valuation. The fair market value analysis determined by the appraisal may be utilized in determining the annuity amount.

7. Document Preparation

Jesuit will prepare a charitable gift annuity agreement utilizing the standard foundation forms approved by the Oregon Department of Insurance. Other necessary documents will be needed to transfer the property and will be prepared as appropriate (deed of transfer, title insurance, etc.).

JESUIT HIGH SCHOOL
GIFT ANNUITY ACCEPTANCE POLICIES

Prepared by the planned giving committee

1. The minimum value Jesuit High School will accept for a gift annuity is $5,000.

2. Jesuit will use the annuity rates published by the American Council on Gift Annuities as a guide to determine the payout rates to donors.

3. All proposed gift annuities will be reviewed by the planned giving committee. Upon approval, the Development Office will share the gift value and annuity commitment with the endowment committee to assist them in determining investment strategy.

4. The board of trustees will review for approval any proposed gift annuity that has a value of $500,000 or more to be funded with cash or marketable securities.

5. The board of trustees will review for approval any proposed gift annuity to be funded with real estate or closely held securities.

6. In the event the board of trustees cannot be convened in a timely manner to review a potential gift annuity, the board delegates authority to approve such gifts to its executive committee.

JESUIT HIGH SCHOOL
CHECKLIST FOR RECEIPT OF CHARITABLE GIFT ANNUITIES

- ❑ Donor offers to transfer assets to Jesuit in exchange for Jesuit's commitment to pay an annuity for life. NOTE: A separate checklist is followed for gifts of real estate.

- ❑ Development Office prepares an illustration for donor showing annuity amount, payment schedule, tax consequences, etc. (Generated on planned giving software)

- ❑ Donor reviews illustration with advisors and makes necessary changes.

- ❑ Development Office checks with State of Oregon Insurance Division regarding any variations to standard gift annuities to make sure Jesuit is in compliance with Oregon Statutes.

- ❑ Jesuit legal counsel reviews proposed gift annuity document, calculations.

- ❑ Development Office presents proposed annuity for approval to planned giving committee.

- ❑ Development Office advises Treasurer's Office of potential gift annuity.

- ❑ Development Office advises endowment advisory board and finance committee of potential gift annuity.

Sample 7: Endowment Fund Investment Policy

JESUIT HIGH SCHOOL
ENDOWMENT FUND INVESTMENT POLICY

History

The Jesuit High School Endowment Fund (the "Endowment") was established in 1969 with proceeds from the sale of property adjacent to the school. The initial deposit into the Endowment was $100,000, which was originally managed as an investment account through an asset manager.

In 1987, the endowment advisory board (the "advisory board") was established as a subcommittee to the Jesuit High School board of trustees. The advisory board determined that it was appropriate to hire a professional money manager in order to maximize the return on the Endowment, and proceeded to appoint an investment advisory firm.

Statement of Objectives

The advisory board seeks the preservation of the assets, growth of the assets and consistency of investment returns through both current income and capital appreciation. The primary objective for the endowment is to earn a total rate of return from investment assets which shall exceed the rate of inflation, as measured by the national Consumer Price Index, by a range with a minimum of three percent (3%) and a target of five percent (5%). It is expected that the target rate shall more frequently be achieved during periods of low or moderate inflation. The total rate of return shall be based on a method which utilizes market value for all marketable investments, such as equity and fixed income securities. The total rate of return shall be calculated to include dividends and interest accrued or received during the period, and realized and unrealized gains or losses.

A significant portion of the investment return shall be transferred each year to the operating budget of Jesuit High School, with the remainder reinvested. The reinvested portion should be at least equal to the rate of inflation so that the real value of the endowment is maintained and preserved over time. Although this may not be

immediately achievable due to the significant requirements of the school budget, the administration recognizes the importance of this objective and shall seek to comply at the earliest possible date.

The endowment shall be broadly diversified, with no disproportionate or extreme positions that might cause significant diminution of value given adverse developments. In allocating funds among investment managers, the advisory board shall not place more than sixty percent (60%) of the endowment's funds with managers investing in equity securities. The advisory board will periodically review the asset allocation to deem that it is appropriate for the school's income needs and growth expectations.

Investment Guidelines

The equity portion shall be invested in common stocks or common stock equivalents under the following guidelines:

- The equity securities shall be diversified by industry and in number so that no one commitment shall exceed five percent (5%) of the value of the endowment's equity assets based on the cost at the time of acquisition relative to total assets, nor shall the endowment hold more than five percent (5%) of the equity securities, or those securities convertible into equity securities, of an issuer.
- The equity securities shall in general possess value and quality corroborated by accepted techniques and standards of fundamental analysis.
- Assets of the equity portion not invested in equity securities shall be invested in interest-bearing instruments under the guidelines set forth for the fixed income portion of the endowment.
- Equity securities shall be in companies listed on national exchanges or over the counter markets, and shall have an outstanding minimum market capitalization in excess of $100 million.
- Assets of the equity portion may be invested in:
  - publicly traded common and preferred stocks;
  - stock warrants and rights; convertible bonds; and
  - American depository receipts

The investment manager for the fixed income portion

shall engage in "active" bond management. It is anticipated that there shall be portfolio turnover as shifts are made between and within sectors, quality and maturity. To be suitable for investment by the endowment, all publicly traded fixed income securities must be rated at least "A" by at least one major credit rating agency. The fixed income portion of the endowment shall be invested in securities including:

- straight corporate and government bonds (there are no restrictions on purchases of U.S. Government obligations.);
- asset-backed securities;
- convertible debentures (convertible securities must be traded on the New York Bond Exchange and be rated at least "A" by at least one major credit rating agency and have an outstanding issue size of at least $100 million.);
- cash and cash equivalent securities such as commercial paper and bankers acceptances (Commercial paper purchases shall be limited to issues which are rated at least "A-2" or "P-2" and which have a maturity date not exceeding 180 days.); and
- pooled money market funds.

Performance Objectives and Measurement

Performance measurement shall be based on total rate of return and shall be monitored over a sufficient time period to reflect the investment expertise of the investment manager over one (1) full market cycle, or five (5) years, whichever is less. In addition to comparing total return, the advisory board may also evaluate the method by which the investment manager achieved the return and the extent of risk to which the endowment has been exposed.

One objective for the endowment is to achieve a total rate of return equal to a target rate of five percent (5%) over the rate of inflation. In order to achieve this overall objective, the relevant range for the equity manager shall be four-to-eight percent (4-8%) over the rate of inflation, while the range for the fixed income manager will be two-to-three percent (2-3%) over the rate of inflation. It is expected that the target rate shall more frequently be achieved during periods of low or moderate inflation.

Another objective for the endowment is to earn com-

petitive rates of return in the equity and fixed income portions, as measured against relevant market indices and peer manager universe performance. The equity portion performance shall be measured against the S&P 500, while the fixed income portion performance shall be measured against the Merrill Lynch Corporate and Government Master Index. The equity portion and fixed income portion will also be compared to peer group universes as depicted by quartile charts, risk/return scattergrams, and growth of unit value measurements.

General

The advisory board shall evaluate the investment managers' performance on a quarterly basis and review endowment investments. All securities transactions shall be executed at a best price and best execution basis with recognized brokers/dealers and banks, including any institution that may be acting in the capacity of an investment manager and/or custodian. The investment manager may direct trades to pay for supplemental investment services and materials received which benefit the endowment directly or indirectly. The investment managers shall avoid party-in-interest transactions.

To the extent that any investment includes ownership rights, such as the voting of proxies, then ownership rights shall be exercisable by the investment manager with respect to such investment. The power to exercise such ownership rights has not been reserved by the advisory board. The investment manager shall keep accurate written records as to the exercise of such ownership rights.

The advisory board expects that the investment manager shall recommend changes to the investment policy guidelines and objectives at any time when it views any part of the guidelines to be at variance with overall market and economic conditions. The investment manager's compliance with these guidelines shall be monitored periodically; however, the investment manager shall be expected to continually assess its own compliance.

It is anticipated that this statement of investment policy shall be a living document, subject to changes and modifications as are deemed necessary by the advisory board. All such changes shall be recommended to the Jesuit High School board of trustees and approved prior to inclusion in

this document and implementation with the endowment's investment managers.

This statement of investment policy has been recommended by the advisory board to the Jesuit High School board of trustees.

About the Authors

Mr. Steven Beaird, CFRE and Father William Hayes, SJ worked as a team at Jesuit High School in Portland, Oregon for nine years. Mr. Beaird is Vice President for Development/Public Relations and Father Hayes is Chancellor of Jesuit High School, having recently completed 14 years as President. During their time together, they raised nearly $70 million in annual, capital and endowment gifts and pledges. In 1998, Jesuit High launched a $55 million endowment drive.

Mr. Beaird has worked in the development ministry since 1980 for the Catholic Dioceses of Spokane (Washington) and Tucson (Arizona) and Jesuit High School. He is the past National Chair of the Jesuit Secondary Education Association of Alumni and Advancement Officers. He is President of the Willamette Valley Development Officers (Portland) and was named its 1995 Development Officer of the Year. He holds a Bachelor of Arts degree from the University of Washington (Seattle) and a Masters of Business Administration from Marylhurst University (Portland). He has spoken on the topic of raising major gifts at the annual National Catholic Educational Association convention.

Father William Hayes, has been a member of the Society of Jesus for 53 years. He has 35 years of secondary school administration experience. During his career, he has been a teacher, pastor, principal, vice president of a university, and secondary school president. He holds honorary doctorate degrees from Seattle University and Gonzaga University (Spokane). He received his undergraduate degree from Gonzaga University, a Masters in Theology from Santa Clara University, Santa Clara, California, and a Masters in Administration from Gonzaga University.

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